

No. 86-1443

Supreme Court, U.S.
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JOSEPH F. SPANIOL, JR.
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IN THE
Supreme Court of the United States
October Term, 1986

KRAFT, INC.,

Petitioner,

v.

AmBRIT INC.,
(f/k/a The Isaly Company, Incorporated)

Respondent.

On Petition for a Writ of Certiorari to the United States
Court of Appeals for the Eleventh Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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Questions Presented

(1) Is there such a thing as "dilution" of the undisputedly correct legal test for likelihood of confusion in a trademark case, or is this construct an attempt to gain review of factual findings under the guise of legal error?

(2) Can the Eleventh Circuit's holding that Kraft abandoned its POLAR B'AR trademark registration, based upon Kraft's failure to make any commercial use of the mark for forty-eight (48) years and its failure to offer a single fact evidencing intent to resume commercial use, give rise to a question fitting for review by this Court?

Statement Pursuant to Rule 28.1

Parent companies, non-wholly owned subsidiaries and affiliates of AmBrit Inc. are:

A.B.A. Costa Rica Inc.
 A.B.A. Electromechanical Systems, Inc.
 A.B.A. Industries, Inc.
 AmBrit Development Corp.
 AmBrit Inc. (including its Isaly division)
 AmBrit International (US) Inc.
 AmBrit International PLC
 Brint (Ohio) Inc.
 Clabir Corporation
 Clabir Corporation (California)
 Clabir Corporation Foundation
 Clabir Europe Ltd.
 Clabir Food Operations
 Clabir Holdings Corporation
 Clabir International Corporation
 Clabir International (UK) Limited
 Clabir International Realty N.V.
 Everton Engineering Limited
 GD International Ltd.
 General Defense Corporation
 General Defense DISC Corporation
 General Defense International Ltd.
 Granite Financial Corporation
 Granite Financial Corporation of New York
 Granite Financial Securities
 Granite Home Loans, Ltd.
 Hamilton Technology, Inc.
 Hanover Klondike Company, Inc.
 HMW Industries, Inc.
 Klondike (Pacific) Corporation
 Klondike (Southeast) Corporation
 Orion Energy Corporation

Orion Energy of Kansas, Inc.
 Orion Resources Inc.
 Polytronic ABA, Inc.
 Sheraton Commercial Properties, Inc.
 Steaua Romana (Ohio) Inc.
 Steaua Romana (Securities) Limited
 Steaua Romana (US) Inc.
 The Isaly Company
 Wharton Engineers (Elstree) Limited



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BRIEF FOR RESPONDENT IN OPPOSITION

Kraft's petition for a writ of certiorari raises no genuine issue meriting this Court's attention. The lower courts properly applied well-established principles of law to the facts found at trial, to conclude that Kraft infringed Am-Brit's registered trademark rights as well as its proprietary trade dress rights under § 43(a) of the Lanham Act (15 U.S.C. § 1125(a)).¹ There is no conflict among the cases,* let alone among the circuits, to warrant review.

1. Photographs of the parties' trade dress packaging have been lodged with the Court on April 10, 1987. The same photographs appear as Exhibit C in AmBrit's appeal brief to the Eleventh Circuit.

* Not a single case cited by petitioner in its brief supports any of Kraft's grounds for granting review by this Court.

Counter-Statement of the Case

Kraft's selective presentation of the facts distorts the truth. In a type of case that turns on the consumer's visual impression of the two packages, Kraft's brief is remarkable for its omission of photographs of the respective packages. Such photographs have now been lodged with the Court. *Supra* at footnote 1.

An unbiased statement of the case is found in the Eleventh Circuit's opinion (as reproduced in the Kraft Appendix A-5 to A-9). Kraft omits the very facts that illuminate this case: that it introduced AmBrit's product into the Florida market as AmBrit's distributor; viewed the product as a unique success; failed in its efforts to buy AmBrit; and hence copied for its own product not only the functional aspects but the purely nonfunctional trade dress features of AmBrit's packaging, including AmBrit's polar bear emblems, admittedly for the express purpose of connoting to consumers the same kind *and high quality* of product as AmBrit's.

This was not a "close case", as represented by Kraft (Kraft Petition, p. 16). The Eleventh Circuit concluded:

A review of the likelihood of confusion factors reveals the following: Isaly's trade dress merits only moderate protection, the design of the trade dress of both parties is somewhat similar, the products are identical, the retail channels and purchasers are identical, the advertising media is identical, Kraft's actions provide the basis for a finding of intent to benefit from Isaly's goodwill, and there is some evidence of actual confusion. Although some fact finders might not have

necessarily found a likelihood of confusion, we are *compelled to hold* that the district court's finding is *not clearly erroneous*. (Kraft Appendix A-31) (emphasis added and footnote omitted).

The Eleventh Circuit's mandate issued on January 8, 1987.

Summary of the Argument

Kraft faults the opinion below on two grounds: alleged "dilution" of the likelihood of confusion test and "forfeiture" of Kraft's POLAR B'AR trademark registration.

Kraft urges that the District Court's factual findings, as affirmed by the appellate court, "diluted" the undisputedly correctly-stated legal test for infringement. Kraft's "dilution" theory improperly seeks review of *factual* findings adverse to Kraft, under the guise of a mistake of law. Kraft's argument that concern for the rights of all competitors to use functional packaging features warrants review seeks an advisory opinion, for both lower courts carefully framed their decree to avoid restricting use of functional features.

Kraft's "forfeiture" theory also deserves short shrift. This Court need show no concern for Kraft's POLAR B'AR trademark registration, which had not seen *any* use whatsoever for forty-eight (48) years; it was only exhumed in 1980 because POLAR B'AR connoted "polar bear", the featured symbol on AmBrit's trade dress. Kraft Appendix A-25, A-27 n.58, A-42).

REASONS FOR DENIAL OF THE PETITION

I. The Courts Below Applied the Undisputedly Correct Legal Test for Likelihood of Confusion in a Trademark Case.

Kraft's petition in this respect is a thinly-disguised attempt to seek review of the district court's factual findings, under the false banner of "dilution" of the legal standard for trademark infringement. On appeal below, Kraft was less circumspect, as noted in the opinion of the Eleventh Circuit:

Kraft's first contention on appeal is that the district court erred in finding Kraft guilty of trade dress infringement. *Kraft does not contend that the district court applied the wrong test in making this finding, but rather argues that the district court misapplied the proper test.* (Kraft Appendix A-9) (emphasis added).

A. Kraft's Attack on the Finding of Intent to Infringe Is Based Upon a Clipped Excerpt from Dictum in the Eleventh Circuit Opinion.

Kraft contends (Kraft Petition, p. 9) that the court below "diluted" the legal standard of "intent to infringe" by finding such intent based on Kraft's copying of the *functional* features of Ambrit's packaging. The Eleventh Circuit actually stated:

There is no question that Kraft's argument finds support in the evidence—as does Isaly's—but even were we to accept Kraft's position, the district court's finding of intent on the part of Kraft to benefit from Isaly's goodwill would be proper. There is nothing unusual about a finding of intent based on circumstantial

evidence. Although Kraft was free to copy the Klondike product and the functional packaging features of that product, the finder of fact may infer from evidence of such actions an intent to derive benefit from Isaly's goodwill. *Such a finding is especially fitting when, as here, a review of Kraft's nonfunctional trade dress and that of the plaintiff reveals substantial similarities.* Therefore, irrespective of which version of the facts is to be believed, the record supports the district court's finding that Kraft intended to benefit from the goodwill Isaly has built for itself. (Kraft Appendix A-27 to A-28 (emphasis added and footnotes omitted)).

Hence, in this case the holding of intent to infringe was justified by Kraft's substantial copying of *nonfunctional* features of AmBrit's trade dress.² Kraft's petition improperly seeks an advisory ruling upon an issue not presented by the record below, except in dictum.

B. The Eleventh Circuit Properly Found Similarity in Design Between AmBrit's Trade Dress and Kraft's.

The same copying of nonfunctional features which led to a finding that Kraft intended to infringe supports the finding that similarity in design between the parties trade dresses was not due merely to protected copying of functional features. Kraft's present argument is surprising, since it raised no such contention on appeal, as the Eleventh Circuit noted:

That individual elements of packaging are functional does not, however, render the package as a whole unprotectible. *The district court found that "the Klondike foil wrapper, with its graphics, is primarily non-*

2. The record below presents no issue of Kraft's right to copy functional features of AmBrit's dress; such copying was specifically allowed by the courts below. See Kraft Appendix A-16.

functional''. Kraft does not seriously dispute this finding, and indeed any such challenge would be misplaced. The actual wrapper may be functional, but its appearance is not. That the wrapper is primarily non-functional does not mean that Kraft may not use a foil wrapper in connection with the packaging of its five-ounce ice cream novelties. Rather, Kraft is precluded only from using a foil wrapper with an *overall appearance* that is confusingly similar to the wrapper used [by] Isaly. (Kraft Appendix A-16) (emphasis added and footnotes omitted).

Plainly, the finding of similarity of design was based upon a comparison of the packages as a whole, which is the correct legal standard, and indeed, the only comparison that makes logical sense, since that is what the consumer sees in the marketplace. The finding is amply supported by Kraft's copying of the *primarily nonfunctional* appearance of the Klondike trade dress. Again, Kraft seeks a ruling on an issue not presented by the record below; it was not deprived of any right to use functional packaging elements.

Nor is there any conflict among the circuit courts on this point. Kraft misrepresents the existing law of the First, Second and Eighth Circuits by alleging that these courts require a distinction between functional and nonfunctional features in applying the similarity of design factor (Kraft Petition, pp. 12-13).

As authority from the First Circuit Kraft cites *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980). However, even while rejecting a finding of likelihood of confusion, the *Fisher* court recognized that *the overall impression* of similarity is more important than specific differences revealed by side-by-side compar-

ison. No language in this opinion suggests the application of the functional/nonfunctional features distinction urged by Kraft.

Kraft also misrepresents the law of the Second Circuit. A recent Second Circuit case held that:

by breaking LeSportsac's trade dress into its individual elements and then attacking certain of those elements as functional, K Mart misconceives the scope of the appropriate inquiry.

LeSportsac, Inc. v. K Mart Corp., 754 F.2d 71, 76 (2d Cir. 1985). Even a Second Circuit case relied on by Kraft³ expressly stated that it is the *combination of features as a whole* rather than a difference in some of the details which determines likelihood of confusion.

Strangely, Kraft cites as authority for the Eighth Circuit a *district court* case from Minnesota.⁴ In actuality, the Eighth Circuit would likely agree with the Eleventh Circuit on this issue:

The comparison should be made "in light of what occurs in the marketplace," taking into account the "circumstances surrounding the purchase of the goods."

Vitek Systems, Inc. v. Abbott Laboratories, 675 F.2d 190, 192 (8th Cir. 1982). The consumer in the marketplace sees

3. *Perfect Fit Industries, Inc. v. Acme Quilting Co., Inc.*, 618 F.2d 950, 955 (2d Cir. 1980), *cert. denied*, 459 U.S. 832 (1982).

4. *Ford Motor Co. v. B & H Supply Inc.*, 646 F.Supp. 975, 995-96 (D.Minn. 1986). That case did not even involve a dispute as to the functionality of the Ford oval, the Ford Numbering System and Ford's speeding car design, since the parties already stipulated that they were nonfunctional. *Ford*, therefore, does not support Kraft's theory that functional features must be viewed separate from non-functional ones.

the packaging as a whole, without conducting any minute analysis of individual features, be they functional or non-functional. The key consideration is that the *overall appearance* of the trade dress designs not be confusingly similar, so that consumers are not misled.

In addition, a Federal Circuit case more recent than the one cited by Kraft⁵ held that whether the configuration of a machine is functional or can receive trademark protection is determined by viewing *the design as a whole*, not its component features individually. *Textron, Inc. v. U.S. Int'l Trade Commission*, 753 F.2d 1019, 1026 (Fed. Cir. 1985).

Ample authority from this Court supports the relief granted below, to prevent consumers of the admittedly non-patented ice cream bars from being *misled as to their source by imitation of AmBrit's distinctive trade dress*. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964); *see also, SK&F, Co. v. Premo Pharmaceutical Laboratories, Inc.*, 625 F.2d 1055, 1065-66 (3d Cir. 1980) (The *Sears Compco* doctrine does not limit the scope of § 43(a) of the Lanham Act).

C. Ample Evidence of Actual Confusion Was Presented Below.

Kraft's attack upon the finding of actual confusion ignores the sound evidentiary basis for the finding, as explained by the Eleventh Circuit:

Moreover, that there were only a few reported instances of actual confusion does not mean that only those in-

5. *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984).

dividuals were actually confused. As the *Chevron Chemical Co.* court stated: "It would be exceedingly difficult to detect instances of actual confusion when, as here, the goods are relatively inexpensive and their actual properties are exactly identical". It is likely that *many consumers who were confused never realized they had been confused and that many of those who did realize they had been confused chose not to spend the time to register a complaint with a faceless corporation about the packaging of an item that retails for approximately \$2.50 per six-pack.* Given these circumstances, four bona fide instances of actual confusion are sufficient to support the district court's finding of actual confusion. Kraft's argument that the four instances of confusion are inconsequential because these consumers were careless misses the point. *Ice cream novelties are an impulse item that consumers purchase without a great deal of care.* There is no indication that the four consumers who reported their confusion to Isaly were anything other than typical consumers following normal buying patterns. (Kraft Appendix A-29 to A-30) (emphasis added and footnotes omitted).

On the particular facts of this case, involving low-price supermarket items on impulse, the finding of likelihood of confusion was properly made by the trier of fact.⁶ Kraft's petition improperly urges this Court to reverse a factual finding supported by the record below.

6. Likelihood of confusion can even be properly found without any evidence of actual confusion. *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163, 1172-73 (7th Cir. 1986).

II. Kraft's Abandoned POLAR B'AR Trademark Registration Which Was Cancelled for Forty-Eight (48) Years' Nonuse, Deserves No Attention from This Court.

A. The Applicable Test for Nonuse Is Clear, and Was Clearly Not Met By Kraft.

The statute, 15 U.S.C. § 1127, provides that two years' nonuse constitutes prima facie abandonment of a registered trademark. Here, forty-eight (48) years' nonuse was proven (Kraft Appendix A-42). While Kraft complains that the Eleventh Circuit's standard of intent to resume use of a trademark is impossible to meet, *Kraft simply made no effort to prove actual intent to resume use*. Kraft could have presented testimony, e.g., that between 1932 and 1980, it had actual plans to use the POLAR B'AR mark, but such plans were not realized due to war, strikes, raw material shortages, or any of a number of reasons. *See, e.g., Menendez v. Farber, Coe & Gregg, Inc.*, 345 F.Supp. 527 (S.D.N.Y. 1972), *modified*, 485 F.2d 1355 (2d Cir. 1973), *rev'd on other grounds*, 425 U.S. 682 (1976); *Sterling Brewers, Inc. v. Schenley Industries, Inc.*, 441 F.2d 675 (C.C.P.A. 1971).

Kraft's reliance on *Beech-Nut Packing Co. v. P. Lorillard Co.*, 273 U.S. 629, 632 (1927) (Kraft Petition, p. 18), is entirely misplaced, since that decision issued years before the adoption in 1946 of the Lanham Act, which specifically provides that two years' nonuse of a trademark constitutes prima facie abandonment, 15 U.S.C. § 1127.⁷ Kraft argues

7. *Hearings on H.R. 82 Before a Subcomm. of the Senate Comm. on Patents*, 78th Cong., 2d Sess. 24 (1944), *reprinted in* 4 Gilson, *Trademark Protection and Practice* § 45 at 45-30 (1986). Nor can

(footnote continued on next page)

that the test applied here improperly excluded evidence of its intent to use in 1980 by virtue of its actual use at that time. But the statutory test is whether Kraft intended *at the time* (here, during its half-century of nonuse) to resume commercial use, not whether it subsequently decided to revive the mark. Kraft was merely placed on a par with anyone else who might have wanted to adopt the same mark in 1980, and was properly denied a premium for having warehoused its federal registration for the previous forty-eight years.

This Court need not fear that Kraft's inability to have adduced evidence proving intent to resume use of its mark, will lead to "widespread cancellation" of trademark registrations (Kraft Petition, p. 19). Few trademark owners could be expected to show so little concern for maintenance of their trademark registrations, as did Kraft between 1932 and 1980. And if they did, there is no sound public policy reason to preserve their rights in unused federal registrations, to the detriment of others who may wish to make *actual* use of the same or similar trademarks. See, e.g., *Exxon Corp. v. Humble Exploration Co., Inc.*, 695 F.2d 96, 102 (5th Cir. 1983); *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1029-30 (C.C.P.A. 1982); *Exxon Corp. v. Humble Exploration Co., Inc.*, 592 F.Supp. 1226, 1229 (N.D. Tex. 1984).

Kraft derive support from *Questor Corp. v. Wold Industries, Inc.*, 194 U.S.P.Q. 141, 145 (D.Minn. 1976) and *Blanchard Importing & Distributing Co., Inc. v. Societe E. Blanchard et Fils*, 169 U.S.P.Q. 615, 618 (T.T.A.B. 1971) (Kraft Petition, p. 18). *Questor* involved the issue of validity of an *assignment* of the goodwill of the mark without a concurrent transfer of the mark itself, not the issue of abandonment due to nonuse. 194 U.S.P.Q. at 145. In *Blanchard*, there was no evidence that the period of discontinuance of use of the mark was even close to the statutory two year period, so as to raise an issue of statutory abandonment.

Conclusion

Kraft's petition is plainly frivolous. It should be summarily denied.

Respectfully submitted,

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